

WASHINGTON, D.C. – Today, Congressman Kevin McCarthy led an effort among his California colleagues in sending a letter to Governor Schwarzenegger and the Republican Leaders in the State Legislature urging them to oppose any bill that would impose an oil severance tax (OST) on California's energy production. Such a tax would result in job losses around California, especially in Kern County communities with heavy energy production. The letter cites a study that such a tax could result in almost 10,000 job losses at a time when California is facing an unemployment rate above 12 percent, which is the fifth highest among the fifty states.

Full Text of Letter:

Dear Governor Schwarzenegger, Leader Hollingsworth, and Leader Garrick:

□ We write today to express our continued opposition to imposing an oil severance tax (OST) on the California oil industry in yet another effort to close the state's revenue shortfall, and request that you oppose any bill that would create this onerous and arbitrary tax.

□ As you know, California is the third leading state, behind Alaska and Texas, in the U.S. when it comes to domestic oil production.□ According to an American Petroleum Institute report, the oil and gas industry created over 620,000 jobs, with an associated labor income (i.e. wages, salaries, and benefits) in excess of \$37.8 billion, in California in 2004.□ These jobs accounted for 3.1% of our state's employment, as well as approximately 4.5% of California's gross domestic product, at that time.

While we understand the challenges you face with closing the state budget shortfall, we believe such a new tax will add to California's current myriad fees and taxes thereby driving oil production out of our State, as well as having a chilling effect on new business investment and expansion of current businesses in California.□ The result of this could be the loss of thousands of good-paying jobs our constituents depend on—up to almost 10,000 according to one study.□ At a time when California faces a staggering 12.3% unemployment rate (up approximately 4% from this time last year), imposing an OST on California oil producers will only exacerbate unemployment, make doing business in our State less attractive, and add to our State's fiscal woes.

□ In addition, Californians have already rejected imposing an OST on state-based oil production.□ In 2006, a majority of voters in the State rejected Proposition 87, which would have imposed up to a 6% oil severance tax on oil produced in California.□ We believe this tax was rejected by Californians because they understood that imposing such a tax on the California oil industry would result in higher energy prices—either by the cost of this tax being directly passed on to them or indirectly as result of making the U.S. more dependent on foreign oil, of which prices are manipulated by OPEC in the world market.

□ We would also note that the imposition of an oil severance tax on oil produced in California would catapult the level of taxes on the oil industry in our State well beyond the tax burden imposed by the nine other largest oil-producing states in the U.S.□ Again, we believe that raising taxes on this job-creating industry would discourage investment in our state and potentially force many small, independent oil producers out of businesses.□ The adverse impact this would have on jobs in our State is of great concern to us.

□ As California faces record unemployment, we believe the focus needs to be on creating jobs and reinvigorating the economy.□ Imposing new state taxes on the California oil industry, or any sector of the economy for that matter, will drive businesses out of the State and contribute to an already shockingly high unemployment rate.□ That said, we look forward to working with you with a renewed commitment to lower taxes and reduce regulation in order to ensure California remains a prime location where entrepreneurs continue to want to start and do businesses, as well create jobs and grow California's economy.

California Member Signatories:

Congressman Kevin McCarthy (CA-22)
Congressman Daniel E. Lungren (CA-3)
Congressman Tom McClintock (CA- 4)
Congressman Darrell Issa (CA-49)
Congressman Ken Calvert (CA-44)
Congressman Wally Herger (CA-2)
Congressman John Campbell (CA-48)
Congressman Duncan Hunter (CA-52)
Congressman Brian P. Bilbray (CA-50)
Congressman George Radanovich (CA-19)
Congresswoman Mary Bono Mack (CA-45)
Congressman Devin Nunes (CA-21)
Congressman Elton Gallegly (CA-24)

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